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7 Advantages to Incorporating

By Alex Goumakos

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There's no question that hard work and a little luck is what it takes to BE successful. But a little knowledge, especially when it comes to setting up your business, will help you STAY successful.

While many business owners give a lot of thought to location, store décor, customer service, hiring employees and management issues (and rightly so); choosing the proper business structure (such as sole proprietor, partnership, corporation, limited liability company) doesn't get the attention it deserves. Many entrepreneurs don't realize this, but the business form they choose can often times be the difference between success and failure, especially in today's competitive and litigious marketplace. If you want to succeed, you need all the advantages you can get. High on the list of safe bets is the corporate form of business.

Incorporating, while definitely not for everybody, offers several distinct and money-saving advantages over the other types of entities. Here are seven of those advantages:

Asset Protection – If you operate as a sole proprietor or partnership, there is virtually unlimited personal liability for business debts or lawsuits. In other words should you go out of business or be a defendant in a lawsuit, your personal assets such as homes, jewelry, vehicles, savings, etc. are up for grabs. This is generally NOT the case when you incorporate. When you incorporate you are only responsible for your investment in the corporation. The limited liability feature of a corporation, while not a guarantee, is DEFINITELY one of the most attractive reasons for incorporating.

Easier To Sell – Corporations are generally much easier to sell and are usually more attractive to buyers than either a sole proprietorship or partnership. The reason for this is because a new buyer will not be personally liable for any wrongdoings on the part of the previous owners. If someone buys a sole proprietorship, for example, the new owner can be held personally liable for any mistakes or illegalities on the part of the prior owner...even if the new owner had NOTHING to do with the situation! This is usually NOT the case with a corporation.

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Tax Savings – When you incorporate there are numerous tax advantages at your disposal that are virtually impossible to accomplish with other business entities. When you incorporate you create a separate and distinct legal entity. Because of this, there are many transactions that you can structure between you and your corporation to save big money on taxes. For instance, if you own a building you can rent office facilities to your corporation and claim depreciation and other deductions for it. Your corporation can then claim the rental expense. You are prohibited from doing this if you are a sole proprietor or a partner in a partnership.

Privacy and Confidentiality – The corporate form of business is a great way to keep your identity and business affairs private and confidential. If you want to start a business, but would like to remain anonymous, a corporation is the best way to accomplish this. States such as Nevada offer even more privacy protection for corporations and their shareholders.

Easier to Raise Capital – When you're looking to raise money through investment or borrowing, a corporation can actually make finding and getting the money you need easier. If you want to take on investors you simply sell shares of stock. If you want to borrow, a corporation can add clout when dealing with banks or other lending institutions.

Perpetuity – As I mentioned in #3, when you incorporate you create a separate and distinct legal entity. This separate and distinct entity (the corporation) can endure almost forever irrespective of what happens to the shareholders, directors, or officers. This is NOT the case with sole proprietorships, partnerships or even limited liability companies. For example, if an owner, partner, or member dies the business AUTOMATICALLY ends or gets wrapped up in legal red tape. Corporations, on the other hand, have unlimited life.

Increases Credibility – Let's face it. Most people feel more secure and confident dealing with a corporation as opposed to a sole proprietorship. Having INC. or CORP. after your company's name adds a touch of professionalism and credibility to your business dealings.

As always, be sure to consult with your attorney or business advisor before undertaking any important legal or financial decision. While there are many advantages and money-saving reasons to incorporate, as I've said before, it's not for everybody. However, you do owe it to yourself to find out more.

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How To Incorporate Yourself Without A Lawyer

By Stephen Pope

You could save hundreds of dollars by incorporating yourself without a lawyer. How? Is it advisable to do so?

1. This is Not Legal Advice!

The only ones who should be giving legal advice are those licensed to practise law (in other words, only lawyers). This article is not legal advice. If you need legal advice, consult a lawyer.

This article is being written simply to inform you that it is possible to form a corporation or limited liability company without a lawyer.

2. Why Use a Lawyer?

First of all, if you make a mistake incorporating yourself, who do you sue? You only have yourself to blame. On the other hand, a lawyer has insurance to cover errors and omissions.

Secondly, you could benefit from the expertise of your lawyer. Perhaps a corporation isn't the right vehicle for you under your circumstances. Be aware that there can be disadvantages as well as advantages to incorporating. Your lawyer can consider commercial law, securities legislation, limited liability, tax factors, estate planning, share structure, and a myriad of other business considerations. Sometimes the advice of a good lawyer can save you thousands of dollars.

3. Is it Advisable to Incorporate Yourself?

Is it advisable to perform surgery on yourself? It is illegal to perform surgery on someone else unless you are licensed to practise medicine, but perhaps in a wilderness survival scenario, self-surgery might be your only option. However, is performing surgery on yourself really a good idea in most instances?

Likewise, just because it is possible to incorporate yourself without a lawyer doesn't mean it is always a good idea.

In some jurisdictions, only lawyers can incorporate others. For a paralegal or other person to incorporate a company for you could be considered unauthorized practise of law. Thus, it may be legal to incorporate yourself but not others.

Some factors you might consider are: Am I really that short of cash that I can't spend the extra money for good legal advice that may save me thousands of dollars? Am I confident that my situation is one that really doesn't need the services of a lawyer to incorporate? Can the money saved on legal fees be better utilized in financing other aspects of my business?

Each person will have to make their own decision on whether or not to seek the services of a lawyer in forming a corporation.

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"He who has himself as a lawyer has a fool for a client." I have often thought that perhaps a law firm originated this common expression.

4. How To Incorporate Yourself

Many books have been written by lawyers on how to incorporate yourself.

For example, in Canada, M. Stephen Georgas, LL.B., has written books on the subject of forming your own corporation. Published by International Self-Counsel Press Ltd., he has authored "Incorporation and Business Guide for Ontario" ("How to form your own corporation Includes tax advantages to incorporating") and "Federal Incorporation And Business Guide" ("How to form your own Federal corporation under The Canada Business Corporations Act").

The same publisher sells forms and minute books as well as titles for incorporating in other provinces of Canada.

Forms, corporate supplies, name searches, and kits are available from legal stationers and other sources.

In the United States, there are likewise many manuals available for incorporating yourself in various states. "Incorporating Your Business For Dummies" by The Company Corporation and "How To Form Your Own Corporation Without a Lawyer for Under \$75.00" by Ted Nicholas are two such books.

Sometimes helpful information on this subject is available from federal, provincial and state governments for free or nominal cost.

You can sometimes locate incorporation manuals at your local library for free. Be careful. Legal manuals become outdated very rapidly. You might consider very seriously purchasing the most up-to-date manual available; it might also include helpful reference material on maintaining corporate minutes and other helpful suggestions on operating your corporation.

Buy the appropriate manual and supplies and then follow the instructions. With a little effort, you could save hundreds of dollars incorporating yourself without a lawyer.

J. Stephen Pope, President of Pope Consulting Inc., has been helping clients to earn maximum business profits for over twenty-five years. To learn more about incorporating yourself and other profitable Work at Home Small Business Ideas, visit

<http://www.yenommarketinginc.com/incorporation.html>

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